

PSC No: 19 - Electricity
Rochester Gas and Electric Corporation
Initial Effective Date: January 1, 2005
Issued in compliance with order in Cases 03-E-0765, 02-E-0198, and 03-G-0766 dated May 20, 2004

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SERVICE CLASSIFICATION NO. 14

STANDBY SERVICE (Cont'd)

ELECTRICITY SUPPLY PRICING OPTIONS (Cont'd):

2. RG&E Variable Price Option (VPO)

This Non-Retail Access choice includes a fixed component for RG&E delivery service and a commodity charge for electricity supply that fluctuates with the market price of electricity and consists of energy, capacity, capacity reserves, losses and unaccounted for energy. Electricity supply is provided by RG&E.

Delivery Rates, System Benefits Charge, and Retail Access Surcharge are specified in the Rates, System Benefits Charge, and Retail Access Surcharge sections, respectively, of this Service Classification.

Standby rates are designed in accordance with the methodology set forth in Case 02-E-0551, Proceeding on Motion of the Commission as to Rochester Gas and Electric Corporation's Electric Tariff Filing to Establish a New Standby Service in Accordance with Commission Order Issued October 26, 2001 in Case 99-E-1470, Order Establishing Electric Standby Rates (issued July 29, 2003) ("Standby Order"), such that RG&E will recover the requisite delivery revenue requirement and Transition Charge ("TC") revenues. The TC revenues will be collected over the contract demand and the distribution portion of the as-used demand billing determinants on an equal percentage basis. The TC revenues applicable to standby service customers will be calculated as part of, and at the same time as, the annual calculation of TC revenues for purposes of establishing the charges applicable to the different electricity supply pricing options.

Electricity Supply Charge

Standby customers taking service under this VPO electricity supply pricing option must select from two different options for their electricity supply charge. One option is VPO, based on the customer's class deemed load shaped, as described in (a) below. The other option is Real Time Pricing ("RTP"), based on hourly metered usage, as described in (b) below.

- (a) For VPO, the charge for electricity supply service will fluctuate with the market price of electricity and will include the following components: energy, capacity, capacity reserves, line losses and unaccounted for energy. Customers will be charged for energy based on their class deemed load shape using day-ahead prices. They will be charged for capacity based on their class deemed contribution to peak using the monthly NYISO capacity auction price, including an appropriate adder for capacity reserve responsibility. Customers will be charged for losses, company use and unaccounted for energy by multiplying the energy and capacity costs by a loss factor for their voltage level.
- (b) For RTP, the charge for the energy component of supply is based on hourly metered usage and the day-ahead market price of energy. Capacity charges will also be based on interval meter data. The electricity supply charge is equal to the sum of the hourly metered usage adjusted for system losses multiplied by the hourly commodity cost. The hourly commodity cost includes the New York Independent System Operator (NYISO) Day Ahead Market (DAM) Location Based Marginal Price (LBMP) for the Genesee Zone, the capacity and capacity reserves specific to the customer, and the RG&E UFE excluding system losses. The DAM LBMP prices will be the initial published DAM LBMP prices acquired by the Company. The customer's bill will not be recalculated if such prices are modified by the NYISO at a later date.

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